

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 EA-11 EUR-25 COME-00 TRSE-00

OMB-01 CIEP-02 XMB-07 FEA-02 L-03 STR-08 SS-20 NSC-07

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P 051335Z MAR 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 9108

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EO 11652: N/A

TAGS: BEXP, ENRG, EMIN, PE

SUBJ: JAPANESE ASSUME PART OF TRANS-ANDEAN PIPELINE CONTRACT

REF: LIMA A-47, LIMA 678, LIMA 8029 OF 11/23/73,
LIMA 7706 OF 10/20/73, LIMA 5152 OF 7/19/73,
LIMA A-142, TOKYO 7807 OF 6/21/73.

1. ALTHOUGH THE JAPANESE ARE NO LONGER COMPETING FOR ACTUAL CONSTRUCTION OF THE TRANS-ANDEAN PIPELINE (SEE LIMA A-47), THEY HAVE MOVED BACK INTO A DIRECT ROLE IN THE PIPELINE PICTURE BY PICKING UP THE PETROPERU CONTRACT FOR SUPPLY OF THE 24 INCH PIPE FOR WHICH U.S. STEEL AND KAISER (SEE LIMA 678) HAD BEEN OTHER POTENTIAL COMPETITORS. DECREE LAW 043-74-EF OF FEBRUARY 28 AUTHORIZED THE THREE JAPANESE FIRMS, MITSUE, MARUBENI, AND C. ITOH THE JOINT CONTRACT FOR SUPPLY OF THE 24 INCH PIPE FOR THE TRANS-ANDEAN PIPELINE ON THE GROUNDS THAT THEY HAD OFFERED THE BEST TERMS. IN EFFECT, THESE FIRMS UNDERBID THE GERMAN FIRM HOESCH ROHRENWERKE AG FOR THE 24 INCH CONTRACT, A CONTRACT THE GERMANS PREFERRED TO LET TO SOMEONE ELSE SINCE THEIR PRINCIPAL INTEREST IS IN SUPPLYING THE 36 INCH SECTIONS THE PIPELINE WILL USE.

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THE JAPANESE WILL SUPPLY THE 24 INCH PIPE AT A COST OF

\$13,548,259.20.

2. LAST MAY (SEE LIMA A-142 AND TOKYO 7807) PETROPERU SIGNED A BASIC AGREEMENT WITH ITOH FOR THE ESTABLISHMENT OF A METAL-MECHANICAL COMPLEX IN THE JUNGLE TO MANUFACTURE PIPE FOR THE PIPELINE. IT NOW APPEARS THAT THIS IDEA HAS BEEN SHELVED, AT LEAST FOR IMMEDIATE FUTURE, AND THAT ITOH, TOGETHER WITH THE OTHER TWO JAPANESE FIRMS WILL SUPPLY THE PIPE DIRECTLY, PARTICULARLY SINCE THE DECREE MAKES NO MENTION OF ANY PLANS FOR CONSTRUCTION OF A PIPE PLANT HERE.

3. ALTHOUGH U.S. COMPANIES WERE NOT ABLE TO COMPETE WITH SUCCESS IN THE INITIAL STAGE OF PIPELINE VENTURE, FOUR OF EIGHT FOREIGN COMPANIES BIDDING FOR ACTUAL CONSTRUCTION (SEE LIMA A-47) ARE AMERICAN. TO ASSURE THAT NO OPPORTUNITY FOR POTENTIAL U.S. SALES IS OVERLOOKED, AND IN FACE OF PREVIOUS INTENSE EXPRESSIONS OF INTEREST FROM COFIDE (LIMA 5152), MANUFACTUREERS HANOVER (LIMA 7706), FNCB (LIMA 8029) AS WELL AS POST-ACCORD INQUIRY ABOUT STATUS OF EXIM FINANCING FOR PIPELINE PROJECT BY LOCAL BANK OF AMERICA MANAGER, EMBASSY OFFICIALS PLAN TO INFORMALLY ELLECIT GOP VIEWS FROM KNOWLEDGEABLE PETROPERU/CONFIDE OFFICIALS ON POSSIBLE FUTURE ROLE OF U.S. COMPANIES, PARTICULARLY IF EXIM FINANCING BECOMES AVAILABLE. IN THIS REGARD, EMBASSY WOULD APPRECIATE RECEIVING DEPARTMENT'S VIEWS ABOUT LIKE-LIHOOD OF EXIM FINANCING, PARTICULARLY SINCE PETROPERU MAY BE MAKING DECISIONS ABOUT CONSTRUCTION OF PIPELINE DURING THIS MONTH. WE WILL REPORT RESULTS OUR DISCUSSIONS SOONEST.
BELCHER

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Message Attributes

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